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Mark Kobayashi-Hillary
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EDUCATION AND THE MBA IN THE OUTSOURCING SECTOR

Introduction

The landscape of today's offshoring and outsourcing industry is constantly evolving and Egypt's Information Technology Industry Development Agency (ITIDA) has partnered with some of the industry's leading thinkers and advisors to create a series of essays looking at key business issues and trends affecting the industry. The series will look at a range of topics from the ease of doing business to education and resources.

This essay, '*Education and the MBA in the outsourcing sector*' by Mark Kobayashi-Hillary, discusses the role of Education and the MBA in the modern world of outsourcing. It focuses on how Egypt is developing its human capital to ensure it is firmly placed as a great location for the world's Information and Communication Technology (ICT) and Business Process Outsourcing (BPO) sectors.

Education and the MBA in the outsourcing sector

Mark Kobayashi-Hillary

The UK National Outsourcing Association awarded Egypt the 'Offshoring Destination of the year' prize at their prestigious annual awards in 2008, and Egypt was shortlisted again in 2009. These awards are a testament to how Egypt has clearly announced itself to the world as a great location for Information and Communication Technology (ICT) and Business Process Outsourcing (BPO) in the past couple of years, with a fast growing local service sector and regular investment in sourcing solutions by multinationals.

Therefore, it is no surprise that the world is paying more attention to a country better known for tourist beaches and the pyramids of Giza, and discovering that outsourcing to Egypt can work extremely well. Professor Leslie Willcocks of the London School of Economics wrote a report in 2009 about the development of offshoring away from the 'BRICs' nations – Brazil, Russia, India, and China – and he positioned Egypt as a strong future player in the market for IT-enabled services.

But one of the issues facing all nations developing their outsourcing proposition is how to develop management expertise. It's one thing to have a large number of fresh new graduates entering the workforce each year, but how can firms find enough experienced project and program managers to coordinate everything.

There are generally three ways. Experience alone, business education, and vocational training around specific areas of expertise. Experience is important and the most desirable, but in a fast-growing business environment it is next to impossible to find enough managers with good experience, let alone international management experience with a good all-round view on leading companies.

Education and the MBA in the outsourcing sector

Mark Kobayashi-Hillary

Vocational training is important, and works especially well when helping people to convert from one career track to another. For example, easing people into the IT industry by using the education and skills they already have and offering conversion courses that deliver the industry skills to complement existing management knowledge.

But for many decades now, the gold standard in management education has been the Master of Business Administration (MBA). The MBA as a qualification is over a century old, the first recognized example being delivered at Harvard University in 1908. It has grown and developed into the most important educational device for training young managers. In these early stages of development, the MBA was a response to the rapid industrialization begun in the nineteenth century. Companies were attempting to explore the art of management in an effort to discover if there could be a more scientific approach to managing and leading modern organizations.

Though the MBA is an important device for giving managers the skills they need to lead organizations, it is not the only device being used to train the managers of tomorrow. Never before has there been such an intense focus on the skills required for the service sector to grow as in the IT and IT enabled service sector. With economies growing fast in all corners of the globe and jobs at high skill levels becoming available, it's important to observe what the education sector is doing at a macro level.

The MBA has changed and evolved considerably over the past century. It is unusual when compared to most post-graduate qualifications. Rather than offering an intense narrow focus on a

Education and the MBA in the outsourcing sector

Mark Kobayashi-Hillary

For instance, India is often held up as an example of success in IT services. The IT and services trade body, NASSCOM, was formed in the 1980s and has tirelessly worked to develop the country as a technology leader – partly through working with educators. India has more than 250 universities and over 900 colleges creating the next generation of knowledge workers. Every year, 19 million new students enroll into high schools across the nation. At the end of each academic year 2.1 million new graduates and 0.3 million post-graduates leave college qualified and hungry for work. Although 8 per cent of workers are destined to leave the country, this is still a very high number of educated people joining the workforce.

Egypt has a population of 77m compared to the 1.1bn of India, but proportionately the figures are even more impressive than the oft-quoted Indian ones. Egypt has a large annual graduating talent pool of more than 330,000 students, with 63,000 graduating in commerce, 17,000 in engineering, and 14,000 emerging with science degrees. Within that pool, a large portion of students are

technologically skilled, multilingual, achievement-focused, and therefore well suited to the IT and IT services sector.

In Egypt, the Information Technology Industry Development Agency (ITIDA) is the executive IT arm of the Ministry of Communications and Information Technology (MCIT), and is located in the heart of a modern business environment at the Smart Village.

ITIDA has created a human capital development program seeking to provide world-class training and academic initiatives to build a skilled workforce and create in ICT professionals from promising graduates. The overall strategy stimulates multinational training programs, including sales, marketing, business development, and finance.

Education and the MBA in the outsourcing sector

Mark Kobayashi-Hillary

In addition to the efforts of ITIDA, the Ministry of Higher Education and Scientific Research (MHESR), and MCIT have joined forces to introduce “employability” skills programs in the tertiary education stage, in a new project called *EduEgypt*.

EduEgypt supports undergraduate training using soft skills, language abilities, and technical competence; enhancing the skills of Egyptian university graduates and preparing them for local and global marketplaces. This effort is a part of a workforce development initiative aimed at reducing the gap between student readiness and employer expectations. The initiative, which was launched in 2007/2008, produced 3,000 graduates last year and aims at supplying the market with around 8,000+ graduates per year by 2010.

MCIT and MHESR started the EduEgypt programs back in 2007. Now in its third phase, EduEgypt is being applied in nineteen faculties inside nine universities across Egypt. Another finishing schools programs is underway to produce an additional 20,000 professionals

annually by 2012. ITIDA is actively involved in the thought process of the programs as it is tasked with developing the IT and ITES industry with the aim of increasing exports.

Existing educational initiatives have partnered with multinational companies such as Oracle, IBM, Microsoft, and others to develop outstanding skill-based programs that are affordable for the local market. Core projects include the Nile University, the ICT Professional Training Program, the Export and Investment Promotion Program, and the Medical Transcription Training Program.

Education and the MBA in the outsourcing sector

Mark Kobayashi-Hillary

The EduEgypt program is designed and implemented by a host of renowned global partners. While the Information Technology Institute, First Source, IBM Daksh, Infosys BPO are responsible for the training, Hewitt and Eduquity are carrying out the testing process. EduEgypt also listens to what the industry needs as it involves a unified industry calibrated assessment and testing modules to ensure quality.

EduEgypt aims at providing the talent pool with the skills required for BPO/ITO and uses a skills matrix approved by the BPO industry and endorsed by various global partners to instill the required set of skills for BPO/ITO. The program also involves Train the Trainers and Train the Master Trainer components to build the Egyptian training industry capacity.

The private sector has become involved in the process beyond just delivering the training. Leading firms from the industry, such as CISCO, HP, IBM, Microsoft and Intel, are focused on an initiative to

improve ICT education in Egypt. The Egyptian Information, Telecommunications, Electronics and Software Alliance (ETESAL), which focuses on bridging the gap between academia and the ICT industry, helps young talent develop practical and industrial skills within educational programs. ITIDA has also recently launched a program to promote industry and university collaboration, linking academic research with industry and market needs.

Government training programs to support vocational training and conversion to ICT readiness are all very well, many countries have started funding these programs in an effort to offer more work-ready graduates to industry, but there is a strong commitment in Egypt to move this beyond just marketing the region as desirable to foreign investors.

Education and the MBA in the outsourcing sector

Mark Kobayashi-Hillary

And it's true that these educational programs certainly help to increase the flow of graduates into the service sector. Without this kind of support, most multinationals would consider a plain vanilla graduate still unready for the workforce. But what do the same firms think of the MBA and how it helps to prepare their people for management?

There are many managers who feel that the MBA is too classroom oriented, that working on case studies in a safe campus environment gives no preparation for the reality of business life. This is a perennial

problem of business education and affects the educators themselves just as much as the students. It's common for business school lecturers and professors to take on far more corporate work than other academics would consider acceptable, simply because they need to remain close to business to understand it. The MBA programs that enforce a period of internship within a real company probably have an advantage over those that insist on case-based work alone.

Many managers consider the MBA to be too generic, covering all aspects of business without focusing on a particular industry sector. Though many MBAs feature elective optional courses that allow a focus on specific topics, it's unusual to find that a business school would recruit students only from a particular sector – for instance to ensure an MBA class is full of people who have worked professionally in engineering.

The Canadian academic Henry Mintzberg even went so far as to publish a book in 2004 titled 'Managers, not MBAs'. The book argues for a complete overhaul of management education, in particular the MBA. Mintzberg asserted that the practice of taking fresh graduates into an MBA class and training them in the science of management often had a detrimental effect on their future ability to manage – often because the students would believe they have learned how to manage before ever doing it for real.

Education and the MBA in the outsourcing sector

Mark Kobayashi-Hillary

Mintzberg focused his book on the US education system, which often allows the MBA programs to be taught to graduates without any work experience – in much the same way as an undergraduate can progress on to study any other master's level degree. In countries such as the UK and Egypt most universities apply a requirement for work experience, particularly managerial experience, to the course entry requirements. This ensures that the academic training can be supported by real life experiences and examples shared within a class of managers.

Even when chosen by experienced managers, the MBA remains a broad degree covering many subjects and disciplines. How can it be applied to the IT and ITES sectors? Where does outsourcing come into the MBA program and is it possible to learn about outsourcing through a business education?

Outsourcing touches many aspects of the MBA program, so it's worth considering some of the key aspects of what would be required on an elective MBA module that focused on teaching the subject in more detail:

- Core competence theory and the boundaries of the organization
- The strategic need to outsource; finding a partner, creating a delivery model
- Transition to a partner and termination of any existing agreements or suppliers
- Creating a governance structure to control the relationship; how to manage the relationship and disputes
- Designing Service Level Agreements and Key Performance Indicators that ensure the right behaviors are created, monitored, and rewarded

Education and the MBA in the outsourcing sector

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It's clear that outsourcing is a far more involved topic than just the procurement of services. It involves organizational strategy and design, following through into operational management and governance. An MBA that aims to successfully include outsourcing must include return on investment calculations, partnership and management skills, algorithms that can explore how to turn fixed costs into variable costs. All detailed topics in their own right.

a world leader in technology services. Brazil has more than a million workers focused on IT alone, and countries such as Egypt are finding the possibilities for growth so attractive there is a natural symbiosis of the government and private sector – ensuring a steady flow of qualified people.

So the future looks bright for regions and companies that can offer these IT enabled services, if they can focus on not only bringing fresh graduates into the workforce with business knowledge, but can extend the reach of qualifications such as the MBA. The MBA has its critics, but it remains the de facto international management education benchmark.

In the UK, the National Outsourcing Association Pathway program takes the subject of outsourcing alone and facilitates work-based study right up to master's level – so it's possible to get a master's degree just focusing on outsourcing alone, let alone the broader topic of business administration. Though one might argue that by qualifying in that course, the student then misses out on the basic core subjects of the MBA.

As the increased wave of global outsourcing ensures fast growing countries get more wealth and jobs, those countries are also going to need more skilled managers. And that won't come from migration or experience alone. The MBA renaissance begins here.

The possibilities opened up by outsourcing are changing the hi-tech service sector in many countries across the world. India has become

About the author Mark Kobayashi-Hillary

Mark Kobayashi-Hillary is a board director of the UK National Outsourcing Association and author of several books, including 'Global Services' and 'Who Moved My Job?' His most recent book 'Talking Outsourcing' is a collection of blogs for the British national technology magazine, Computing. Mark has an MBA from the University of Liverpool Management School and he is a visiting lecturer on the MBA program at London South Bank University.

www.markhillary.com